



## U.S. Department of Justice

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### **ROCKFORD REAL ESTATE AGENT PLEADS GUILTY TO FHA MORTGAGE INSURANCE SCAM**

ROCKFORD – PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois; ROBERT D. GRANT, Special Agent-In-Charge of the Chicago Office of the Federal Bureau of Investigation; and BARRY McLAUGHLIN, Special Agent-In-Charge of the Chicago Field Office of the Department of Housing and Urban Development – Office of the Inspector General (“HUD-OIG”), today made the following announcement:

Today, in federal court in Rockford, CESAR O. ARENAS, 43, of Rockford, pled guilty to conspiring to defraud the United States. Specifically, the defendant admitted that he conspired with four co-defendants to cause unqualified loan applicants to receive Federal Housing Administration (“FHA”) insured loans.

The FHA insured loan program is designed to assist low and moderate income families in obtaining housing by providing mortgage insurance to lenders who make home loans to these individuals. If the individuals default on their loans, HUD reimburses the lenders for any losses sustained on the loans.

On August 8, 2006, a thirty-five count indictment was returned by the federal grand jury in Rockford, charging Arenas and four other individuals with conspiring to defraud the United States, making material false statements in matters within the jurisdiction of a federal agency, making material false statements to cause HUD to insure loans, and mail fraud. The four other individuals charged in the indictment are: RHONDA E. TOROSSIAN, 45, of Rockford; NANCY C. RODRIGUEZ, 35, of Rockford; RAUL RAYGOZA, 37, of Rockford; and ISRAEL QUINTERO 40, of Rockford.

Cesar Arenas is employed as a real estate agent by a realty firm in Rockford. Rhonda Torossian was formerly employed as a loan officer by Prism Mortgage, located at 4960 East State Street in Rockford. In 2002, the name of Prism Mortgage was changed to RBC Mortgage Company. Prism/RBC was a mortgage lender and mortgage brokerage company. Defendant Nancy Rodriguez worked as an assistant to Torossian. Raul Raygoza and Israel Quintero formerly owned a small furniture store in Rockford known as “Friends Furniture.”

In his plea agreement, Arenas admitted that from at least January of 2000 through September of 2002, he conspired with the other four defendants to defraud the United States by causing unqualified home-buyers to receive FHA insured loans. To be eligible to receive an FHA insured loan, a home buyer must: (1) have a valid social security number; (2) have sufficient income to meet

the mortgage payments; (3) have satisfactory credit standing; and (4) invest 3% equity into the house they are purchasing.

In his plea agreement Arenas admitted that fraudulent official bank checks were placed in his real estate customers' loan files in order to create the false impression that customers had the necessary funds to invest 3% equity into their home purchases. The false checks were created by "whiting out" the payees and amounts on real official checks, typing in false payees and amounts, and then photocopying the checks.

Arenas further admitted that he solicited Raygoza and Quintero to sign fraudulent "Verifications of Employment" forms stating that Arenas' real estate customers were employed at Friends Furniture. These fraudulent employment forms, together with false pay-stubs and false W-2s, were submitted to HUD as part of Arenas' customers applications for FHA insured loans.

Arenas also admitted in his plea agreement that he caused false credit letters to be placed in his customers' loan files and submitted to HUD. These credit letters falsely stated that Arenas' real estate customers had made regular credit payments to certain small businesses. According to the plea agreement, Arenas solicited small businesses owners, including Raygoza and Quintero, to sign these false credit letters.

Arenas will be sentenced on December 19, 2007, at 1:30 p.m. The conspiracy charge carries a maximum sentence of five years of imprisonment, a fine of up to \$250,000, and restitution. Arenas' actual sentence will be determined by the United States District Court, guided by the United States Sentencing Guidelines.

Torossian, Rodriguez, Raygoza, and Quintero all previously pled guilty to conspiring to defraud the United States. On May 31, 2007, Raygoza was sentenced to 5 years of probation and ordered to pay \$149,227.49 in restitution to HUD. Torossian is scheduled to be sentenced on December 17, 2007, at 9:00 a.m. Sentencing dates have not yet been set for Rodriguez and Quintero.

The case was investigated by the Rockford office of the FBI and the Chicago office of HUD-OIG. The case is being prosecuted in federal court by Assistant United States Attorney SCOTT A. VERSEMAN.

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